

DIA, OSD and DOS review(s) completed.

16 AUG 1946

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GENERAL

1. Possible USSR base on Bear Island--According to Embassy London a high Foreign Office official believes that the Soviets will attempt to obtain from Norway base rights on Bear Island (midway between Spitzbergen and northern Norway).
2. Soviet exploitation of French and German Communists--According to Caffrey, it now seems clear that Moscow is using the German and French Communist Parties as its "most valuable pawns" in exploiting simultaneously nationalist sentiments and the class struggle. Caffery comments that Stalin will lose only if both Parties fail eventually to dominate their respective countries.
3. Spaniards discuss possible Stalin-Franco rapprochement--Caffery reports that both "Republican" and pro-Franco Spaniards are discussing the possibility of a Soviet effort at rapprochement with Franco and believe there is no reason why the USSR should not make such an effort by either political or commercial means. Caffery adds that he has no evidence of a Soviet move in this direction.
4. Increased privileges for US at Lagens--General Kissner reports from Santa Maria that a new conciliatory attitude on the part of Portuguese military authorities in the Azores has now assured the US a temporary continuation at Lagens of essentially the same privileges which have been enjoyed at Santa Maria. The 30 May agreement had merely specified "in transit through" rights for Lagens.
5. Arab Ministers uncertain about future strategy--US Legation Cairo reports that the Arab Foreign Ministers face the future with misgivings and apparently have no program other than submission of the Palestine question to the UN in case, as they anticipate, the London Conference breaks down. The local Arab press is increasing its criticism of the Arab League as a "do nothing" organization.

## EUROPE-AFRICA

6. USSR: Ship in North Baltic reported spotting rockets--US Military Attaché Oslo has learned that a ship in

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the North Baltic has been transmitting coded messages in Russian to a Soviet shore station, apparently concerning the flight of rocket bombs launched from Peenemunde and aimed over the North Baltic and North Finland. The ship's messages also were reported to indicate that rockets seen over Norway and Sweden were only those not on course.

Intensified propaganda against Anglo-American "bloc" -- US  
Embassy Moscow views two recent articles in Communist Party publications as the most hostile polemics against the US and the UK since the end of the war, and feels they are designed to extinguish, in Party circles, any lingering hopes of friendly relations.

7. HUNGARY: Red Army movements--General Weems, US Delegate ACC, reports that Red Army activity in western Hungary suggests that large-scale maneuvers may be scheduled for the near future.
8. FRANCE: Effect of wage-price crisis--Caffery reports that the wage-price crisis (see Daily Summary of 25 July, item 4) has "sharply deepened the gulf" between the Communists and the other political parties. He adds that "all semblance of unity" within the three-party Government has disappeared.

#### FAR EAST

9. KOREA: Prohibited area in North Korea--General Hodge reports that Soviet authorities received the UNRRA mission to North Korea cordially but excluded it, on grounds of prevalence of cholera, from the northeastern area for which supplies were chiefly requested. (The area is the same as that from which the Pauley Mission was recently excluded.)

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